HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 02 - 01 0

2. STATE: Colorado

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2002

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
Social Security Act sec. 1902(a)(30)(A)
42 C.F.R. sec. 447.252(b)

7. FEDERAL BUDGET IMPACT:
a. FFY 2001-02 $ (22,211)
b. FFY 2002-03 $ (2,582,489)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-D
Page 1-2
Page 5

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Pages 1, 1-Cont., and 2
Page 5

10. SUBJECT OF AMENDMENT:
Changes in Medicaid Nursing Facility Reimbursement related to Colorado House Bill 02-1457 and revisions of facility rate years.

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
As per Governor's letter dated 12/14/94.

12. SIGNATURE OF STATE AGENCY OFFICIAL:
Karen Reinertson

13. TYPED NAME:
Karen Reinertson

14. TITLE:
Executive Director

15. DATE SUBMITTED:
Sept. 27, 2002

16. RETURN TO:
Colorado Department of
Health Care Policy & Financing
1575 Sherman Street
Denver, Colorado 80203-1714

ATTN: Trish Bohm

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: Sept. 30, 2002

18. DATE APPROVED: MAY 16 2003

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2002

20. SIGNATURE OF REGIONAL OFFICIAL: Charlene Brown for smith.

21. TYPED NAME: Charlene Brown

22. TITLE: Deputy Director, CMSO

23. REMARKS:

State of Colorado

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATE - NURSING FACILITY CARE

The State of Colorado hereby finds and assures that the rates for long term care facilities are reasonable and adequate to meet the costs that efficiently and economically operated facilities must incur. A facility is considered to be operated efficiently and economically when it complies with the State and Federal licensing and certification requirement, applicable State reporting requirements at a patient per diem cost equal to or less than the maximum reasonable allowable cost ceilings, fair rental allowance payments and other payments standards specified in section I and II of this Attachment 4.19-D.

METHODS

I. Cost Reporting and Auditing - The following methods govern cost reporting and auditing.

A. Cost Reporting: No later than 90 days after the end of its fiscal year, each facility is required to report costs on the accrual basis of accounting, using generally accepted accounting principles approved by the American Institute of Certified Public Accountants, and including adequate cost data as required by the Department or its contract auditor. Governmental facilities operating on a cash basis may use the cash method for cost reporting subject to adjustments for capital expenditures.

B. Facility Fiscal Year: The fiscal year for all providers shall remain the same as on record with the Department when these regulations are made effective. There are two exceptions to this rule.

1. Providers seeking to coordinate their fiscal year with the fiscal year end they have established with the IRS.

2. Subchapter "S" corporations are required by federal tax law to have a fiscal year end of December 31.

C. Auditing: The Department or its contract auditor performs annual audits upon the cost reports submitted by nursing facilities, in accordance with generally accepting auditing standards approved by the American Institute of Certified Public Accountants. The Department may require an on-site field audit, desk review, or rate calculation, based upon the Department's consideration of appropriate risk-analysis factors. These risk-analysis factors include, but are not limited to: significant year-to-year variances in the rate of growth in any cost category; changes of ownership, licensed operator and/or management personnel; bankruptcy; and/or historic, ongoing patterns of cost reporting behavior from providers that seek to maximize allowable costs inappropriately. The existence of one or more of these risk factors may create the need for closer scrutiny of the cost report during the audit process, and thus, a higher level of review (e.g., field audit or desk review). The absence of such factors reduces the amount of scrutiny required, thereby reducing the level of review required upon audit (e.g., rate calculation). Use of risk-based audit criteria enables the Department to capture accurate cost data in the most cost-effective and administratively efficient manner possible.

State of Colorado

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATE - NURSING FACILITY CARE

D. Rate Effective Dates

1. Beginning with the first 12-month cost report filed by a provider, the rate effective date shall be the first day of the eleventh calendar month following the last day of the cost report.

2. Beginning with rates on and after July 1, 1988 the rate effective dates for State-owned and administered ICF/MR's shall be the first day of the cost report filed by facilities.

State of Colorado

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATE - NURSING FACILITY CARE

LIMITATIONS ON GROWTH OF ALLOWABLE COSTS: With respect to all rates effective on or after July l, 1997, for each class I and class V facility, any increase in allowable (i.e., reimbursed) administrative costs shall not exceed six percent (6%) per year and any increase in allowable health care services costs shall not exceed eight percent (8%) per year. The 8% limitation shall not apply to rates effective on or after July 1, 2000. These limitations shall apply to the costs which are used in annually calculating the weighted average cost ceilings for all class I nursing facilities, and also to the costs which are allowed when calculating an individual rate change for a class I or V facility. However, after application of these limitations, the allowable costs for an individual facility may be increased through the payment of a fluctuating cost allowance and/or administrative cost incentive allowance, if in accordance with the methodology stated elsewhere in the state plan.

LIMITATION ON MEDICARE PART A COSTS: For all rates effective on or after July 1, 1997, the Department shall limit the Medicare Part A ancillary costs (hereafter referred to as "Part A costs") which are allowed in calculating the Medicaid per diem rate for each class I and class V nursing facility. For all rates effective on 7/l/97, the Department shall include whatever level of Part A costs the Department allowed from the most recent Medicare cost report submitted by the facility to the Department prior to July 1, 1997. This level of Part A costs shall be used as the base figure in limiting subsequent Part A cost increases. Any subsequent increase shall not exceed the increase over the corresponding time period in the Consumer Price Index ("medical care" component in the "U.S. City Average") published for all urban consumers (the "CPI-U") by the United States Department of Labor, Bureau of Labor Statistics.

LIMITATION ON MEDICARE PART B COSTS: For all rates effective on or after July 1, 1997, only those Medicare Part B costs which the Department determines to be reasonable shall be included in calculating the allowable per diem Medicaid reimbursement for class I and V nursing facilities.